

BEFORE THE
ILLINOIS COMMERCE COMMISSION

ILLINOIS COMMERCE COMMISSION) DOCKET NO.
On Its Own Motion) 02-0314
-vs-)
CLARICOM NETWORKS, INC.)
Citation for failure to maintain)
corporate status.)
CLARICOM NETWORKS, LLC.) DOCKET NO.
Application for a certificate of) 02-0486
local and interexchange authority)
to operate as a reseller of)
telecommunications services in the)
State of Illinois.) CONSOLIDATED

Springfield, Illinois
September 4, 2002

Met, pursuant to notice, at 1:30 P.M.

BEFORE:

MR. JOHN ALBERS, Administrative Law Judge

APPEARANCES:

MS. JUDITH A. RILEY
2912 Lakeside Drive
Suite 100
Oklahoma City, Oklahoma 73120

(Appearing on behalf of Claricom
Networks, Inc. and Claricom Networks,
LLC via teleconference)

SULLIVAN REPORTING COMPANY, by
Carla Boehl, Reporter
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1 APPEARANCES: (Cont'd)

2 MR. MARK HANSON
3 527 East Capitol Avenue
4 Springfield, Illinois 62701

5 (Appearing on behalf of the
6 Telecommunications Division of the
7 Illinois Commerce Commission)

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I N D E XWITNESSES DIRECT CROSS REDIRECT RECROSS

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EXHIBITSMARKEDADMITTED

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PROCEEDINGS

JUDGE ALBERS: By the authority vested in me by the Illinois Commerce Commission, I now call Docket Numbers 02-0314 and 02-0486. The former concerns a citation for failure to maintain corporate status, referring to Claricom Networks, Inc., and the latter concerns a certificate for local interexchange authority filed by Claricom Networks, LLC.

May I have the appearances for the record, please.

MS. RILEY: Judith A. Riley, Telecom Professionals, 2912 Lakeside Drive, Oklahoma City, Oklahoma, counsel for Claricom Networks, Inc., and Claricom Networks, LLC.

MR. HANSON: Mark Hanson, Telecommunications Division, Illinois Commerce Commission, 527 East Capitol, Springfield, Illinois.

JUDGE ALBERS: Thank you. Let the record reflect there are no others wishing to enter an appearance.

The purpose of today's hearing is to take evidence in this matter. I have received the

1 testimony of Greg Taylor on behalf of Claricom
2 Networks, LLC. Unless there are any preliminary
3 matters, I will turn things over to Ms. Riley that
4 she may call her witness.

5 MS. RILEY: My witness is Greg Taylor, Vice
6 President - Legal of Claricom Networks, LLC.

7 JUDGE ALBERS: Mr. Taylor, could you please
8 stand and raise your right hand and I will swear you
9 in. Mr. Hanson, since I will be asking for a
10 recommendation from Staff, would you please stand
11 and raise your right hand as well.

12 (Whereupon the Witness was duly sworn
13 by Judge Albers.)

14 JUDGE ALBERS: Go ahead, Ms. Riley.

15 **GREG TAYLOR**

16 called as a Witness on behalf of Applicant, having
17 been first duly sworn, was examined and testified as
18 follows:

19 **DIRECT EXAMINATION**

20 **BY MS. RILEY:**

21 Q. Mr. Taylor, for the record please state your
22 name, title and business address.

1 A. My name is Greg Taylor. My title is Vice
2 President of Legal and the address is 300 North
3 Meridan, spelled M-E-R-I-D-A-N, Suite 280 North,
4 Oklahoma City, Oklahoma 73037.

5 Q. Mr. Taylor, on whose behalf are you testifying
6 this evening?

7 A. Claricom Networks, Inc., or I am sorry, LLC.

8 Q. Was Claricom's application filed with this
9 Commission on July 24, 2002, prepared by you or
10 under your direct supervision?

11 A. Under my supervision.

12 Q. Do you have any modifications or changes to
13 this application or to any of the exhibits?

14 A. I do not.

15 Q. Do you adopt this application in this
16 proceeding as part of your testimony here?

17 A. I did.

18 Q. And also, Mr. Taylor, do you adopt the prefilled
19 testimony filed with the Commission on August 23,
20 2002, as part of your testimony here, as well as the
21 late-filed documents to Attachment Q25 of the
22 application which are the financial attachments that

1 is also part of your testimony and part of the
2 record?

3 A. I do.

4 Q. Mr. Taylor, please briefly describe your
5 background and qualifications.

6 A. I am currently the VP of Legal for Claricom
7 Networks. I also serve as VP of Legal for certain
8 other LD companies that are affiliated companies of
9 Claricom. Prior to that I handled all of the legal
10 and regulatory matters for yet another telecom
11 company called DCA Services located in Oklahoma
12 City. And before that I handled billing matters and
13 credit and collections departments for LD reseller
14 Senex, S-E-N-E-X, Communications out of Oklahoma
15 City. Before that I worked with Touchtone Solutions
16 and it was a telecom switch for a surveillance
17 software company. I have background in accounting
18 and I hold an undergraduate degree in business
19 administration.

20 JUDGE ALBERS: Mr. Taylor, can you please
21 repeat that last part? The court reporter didn't
22 catch it at all.

1 THE WITNESS: Yes, I said I have an
2 undergraduate degree in business administration, a
3 masters degree in communication and a law degree.

4 JUDGE ALBERS: Thank you.

5 Q. In your opinion is Claricom technically,
6 managerially, and financially qualified to provide
7 local and long distance services in Illinois?

8 A. Yes, it is.

9 Q. Have you read the Illinois rules that pertain
10 to credit, billing and other customer service
11 issues?

12 A. I have.

13 Q. Will you abide by those rules to the extent not
14 waived by the Commission?

15 A. We will.

16 MS. RILEY: Your Honor, at this time I have
17 nothing further of this witness.

18 JUDGE ALBERS: Is it your intention to have the
19 prefiled testimony of Mr. Taylor and the June 2002
20 financial information admitted into the record?

21 MS. RILEY: Yes, it is. I so move.

22 JUDGE ALBERS: And also the --

1 MS. RILEY: The first page of Q25, I would like
2 to move that as a separate document in the record.

3 JUDGE ALBERS: Right, thank you. For purposes
4 of identifying these three different documents, why
5 don't we call Mr. Taylor's testimony Claricom
6 Exhibit 1, the additional financial information
7 Claricom Exhibit 2, and that single sheet from
8 Attachment Q25 Claricom Exhibit 3. Does Staff have
9 any objection to admitting any of these three
10 exhibits into the record?

11 MR. HANSON: No.

12 JUDGE ALBERS: Hearing no objection, then
13 Claricom Exhibits 1, 2 and 3 are admitted.

14 (Whereupon Claricom
15 Exhibits 1, 2 and 3 were
16 admitted into evidence.)

17 Does Staff have any questions for
18 Mr. Taylor?

19 MR. HANSON: Yes, there is just like some
20 issues Mr. Taylor would clarify from both his
21 testimony and a couple items from the petition.

22

CROSS EXAMINATION

BY MR. HANSON:

Q. Mr. Taylor, I am looking at -- do you have your testimony available to you to look at?

A. I do.

Q. Looking at page 3 of your testimony under Managerial Qualifications, it states there how many people does the company employ. It says Claricom currently employs 99 people nationwide with 13 located in Illinois. Now, what are the 13 people -- since you are seeking a certificate at this point for Claricom Networks, LLC, are these people with affiliated companies or what's -- what are the people doing in Illinois?

A. They are with an affiliated company selling long distance services. And as soon as we can get this issue cleared up, we would like to have them begin marketing and selling local service. But right now they are all located in Chicago, the Chicago area, and they are selling long distance for Matrix Telecom.

Q. So now Matrix Telecom and Claricom Networks,

1 LLC, will be sharing a lot of staff in terms of
2 customer service issues and those type of matters?

3 A. Yes.

4 Q. And Matrix Telecom is currently a certified
5 interexchange carrier in the state of Illinois?

6 A. Yes.

7 Q. Okay. Will your customer service people be
8 able to adequately -- would there be any substantive
9 difference -- you are seeking interexchange
10 authority with this application, correct?

11 A. Yes.

12 Q. Will the interexchange services offered under
13 Claricom Networks, LLC, be substantially the same as
14 offered by Matrix?

15 A. Yes, they will.

16 Q. So there won't be any confusion on the part of
17 customer service in understanding which company is
18 which?

19 A. No.

20 Q. I just want to clarify what you are seeking
21 here. So you are seeking to offer interexchange
22 services throughout the state of Illinois and resold

1 local in Ameritech territories?

2 A. That's correct.

3 Q. One question on the 9-1-1 issues. Will your
4 9-1-1 system -- what will be the ability of that
5 system to update the 9-1-1 data bases?

6 A. Do you mean what will the ability of our system
7 be to update the Ameritech system?

8 Q. Right, yeah. I know that Ameritech will be
9 providing the underlying system, but you have to get
10 the information to Ameritech for your customers,
11 right?

12 A. Yeah. I wouldn't know specifically how the
13 update would work.

14 Q. Do you know how -- do you have any knowledge on
15 the ability at the time that in your petition --
16 okay, excuse me. I am looking at the Appendix B of
17 your petition, 9-1-1 questions.

18 A. Okay.

19 Q. And I guess I am looking at Question 5. How
20 often will your company update the 9-1-1 data base
21 with customer information?

22 A. You just want more information?

1 Q. Well, I guess.

2 A. As often as necessary. I am not sure if that
3 will be daily. I wouldn't imagine it would be more
4 than that.

5 Q. Okay. Do you believe it's daily then?

6 A. Yeah, but we process just about everything
7 electronically with other vendors, you know,
8 underlying carriers and the other LECs, and I
9 wouldn't imagine it would be different for this
10 process.

11 Q. Okay. So you have daily data interchanges with
12 EDI with your underlying carrier?

13 A. Yes.

14 Q. Okay. I am satisfied. And I guess just one
15 other question. I notice in the application, and I
16 guess maybe this gets back to the proceeding this is
17 combined with, there is the petition or the
18 application with the Secretary of State's office for
19 authority to do business in Illinois. And has that
20 been all taken care of?

21 A. Is that question for me?

22 Q. Yes, I believe so.

1 A. I would have to defer to Ms. Riley.

2 MS. RILEY: Are you asking if the LLC has the
3 proper form with the Secretary of State?

4 MR. HANSON: Right, and has the same
5 authorization to do business.

6 MS. RILEY: Right. That was attached to the
7 application.

8 MR. HANSON: Well, there is the application but
9 not the final document. And I was wondering if the
10 final document had come through yet.

11 MS. RILEY: I do not have a copy of it, but I
12 have not heard that there is any issues with that.

13 MR. HANSON: Okay. That's all the questions I
14 have.

15 JUDGE ALBERS: I have a few questions myself.

16 EXAMINATION

17 BY JUDGE ALBERS:

18 Q. With regard to the waivers you are requesting,
19 Mr. Taylor, is among the reasons you seek a waiver
20 from 735.180 regarding the publication of
21 directories, do you find that directory publication
22 would be burdensome?

1 A. Yes.

2 Q. And do you fear that you would just end up
3 duplicating existing directories from other carriers
4 in the area?

5 A. I mean, that's certainly one of the factors. I
6 am not sure if it would be one of the primary
7 factors.

8 Q. Okay. In Attachment Q10 to the application you
9 indicate that in some states Claricom was not in
10 good standing and in a few cases lost its
11 certification in a few states or at least the
12 company does, not necessarily you.

13 A. Yes, that's correct.

14 Q. Can you tell me whether or not any of those
15 states listed in Q9 no longer consider Claricom
16 Networks, LLC, to be certified in that state?

17 A. I don't know. I would have to defer to
18 Ms. Riley.

19 MS. RILEY: All of the states listed in Q9 are
20 current. If there were any issues, if they had not
21 been taken care of, I deleted them from the list of
22 certification.

1 Q. With regard to where Claricom Networks, LLC,
2 would like to keep its records, you indicate that
3 would be the corporate headquarters at Oklahoma.
4 Is that at the 2912 Lakeside address?

5 A. No. The corporate headquarters are at 300
6 North Meridan address. And the Lakeside Drive
7 address is where the Commission's correspondence
8 would be sent to.

9 Q. So you would actually have the books and
10 records at 300 North Meridan?

11 A. Yes.

12 Q. What's the zipcode at that address?

13 A. 73107. And the suite number, it's 280 North.

14 Q. That was 73107?

15 A. Yes.

16 Q. Is the Matrix Telecom the only other affiliate
17 that operates in Illinois?

18 A. As far as I know. There may be Clarity
19 Networks. We don't do anything with it. I am not
20 sure if it is active or inactive. I know we don't
21 do anything. And so for practical purposes the
22 answer to your question is yes. For technical

1 purposes the answer is perhaps.

2 Q. Okay. With regard to Matrix, they offer
3 interexchange service and Claricom Networks, LLC, is
4 seeking authority to resell interexchange service,
5 correct?

6 A. Yes.

7 Q. Would the two companies be competing for the
8 same customers?

9 A. No, the Matrix customer base is primarily
10 residential and the Claricom base is going to be
11 primarily small to medium size businesses.

12 Q. Now, is that the same with regard to local
13 service?

14 A. Matrix, I think, has local certification in
15 some areas. I am not sure which areas. And I don't
16 think that it is being marketed anywhere. So, no.
17 But only because Matrix isn't marketing any local
18 customers anywhere.

19 Q. Well, let me ask you this then. Is Claricom
20 Networks, LLC, does that company only intend to
21 market to small and medium -- I am sorry, strike
22 that. Does the local service that Claricom

1 Networks, LLC, intends to provide, would that only
2 be marketed to small and medium businesses?

3 A. I don't know. I think that the primary target
4 is going to be small and medium sized businesses,
5 but I don't think we would limit ourselves to that
6 type of customer.

7 Q. So Claricom Networks, LLC, is going to
8 primarily target small and medium business customers
9 for resold local and interexchange service?

10 A. Yes, that's accurate. I think at least
11 initially. That's probably the model we would stick
12 with primarily because it's much more efficient to
13 target market a business base or commercial base the
14 way we do things because we do a lot of
15 door-to-door. We get a lot of referral business.
16 And with a residential market, it would be much more
17 expensive. We would have to engage in a lot of
18 direct mail campaign and radio or television to get
19 paid, and it just requires a lot more investment
20 dollars. And that's an investment that we don't
21 want to make right now.

22 Q. Okay. But in theory some day in the future you

1 may compete with Matrix for the same customers?

2 A. I wouldn't rule it out as a possibility.

3 Q. Okay. Turning now to Q25, I have a question
4 about the page at the bottom that says page 1 of 3,
5 bottom center. Top left-hand column is Assets. The
6 fourth line down, I don't believe this would be
7 proprietary.

8 A. I do not have that page. My Q25 has one, four
9 paragraphs, typed paragraphs.

10 Q. Oh, there is no financial sheets attached to
11 that?

12 MS. RILEY: Keep going, Greg. The financial
13 package is behind that.

14 A. That would be the spreadsheet from Excel?

15 Q. It's immediately after the fourth page that you
16 are looking at, right before Attachment 26.

17 A. I don't have that. I don't think I brought
18 that.

19 Q. Well --

20 A. But go ahead.

21 Q. Okay. Basically, I am not going to reveal any
22 numbers here. I don't believe just telling the row

1 would be relevant to anything but correct me on that
2 before I open my mouth any more, Ms. Riley.

3 MS. RILEY: I don't think that's any problem.

4 Q. The row is entitled Allowance for Doubtful
5 Account. Does that mean anything to you,
6 Mr. Taylor?

7 A. Yes.

8 Q. Without divulging any proprietary information,
9 can you tell me what that refers to?

10 A. That means bad debt, uncollectible account.

11 JUDGE ALBERS: Okay. Thank you. Just going
12 through my notes to make sure I didn't forget
13 anything. Okay, I think that's all I have.
14 Ms. Riley, do you have any redirect?

15 MS. RILEY: No, I do not.

16 JUDGE ALBERS: Thank you, Mr. Taylor. Does
17 Staff have a recommendation in this matter?

18 MR. HANSON: I believe, based on the evidence
19 the company has provided, that it has established it
20 has the managerial, financial, and technical ability
21 to receive a certificate as a reseller of
22 interexchange and local exchange services.

1 JUDGE ALBERS: So your recommendation is that
2 the certificate be granted for local exchange and
3 resold exchange?

4 MR. HANSON: Yes.

5 JUDGE ALBERS: One other housekeeping type
6 matter, I would ask Ms. Riley if she would be
7 willing to submit a late-filed exhibit which would
8 basically be a copy of the Certificate of Authority
9 to transact business in Illinois. I see the
10 application is attached to the -- the application of
11 the Secretary of State's office is attached to the
12 application in this docket. However, I don't think
13 we have any confirmation in the record that
14 application was accepted and authority to transact
15 business in Illinois was conferred by the Secretary
16 of State's office.

17 MS. RILEY: I will submit a late-filed exhibit
18 to attach to Q8 which will be either a copy of the
19 Certificate of Authority or the Certificate in Good
20 Standing.

21 JUDGE ALBERS: Okay. That would be fine. Why
22 don't we just identify that then for the record as

1 Claricom Exhibit 4. Is there any objection from
2 Staff if we admit that exhibit?

3 MR. HANSON: No.

4 JUDGE ALBERS: I think I will go ahead then
5 since we all agree as to what that will be and what
6 that would entail, go ahead and admit that now and
7 walk it into the Clerk's office when we receive it.
8 So why don't you send that directly to me, rather
9 than the Clerk's office. That will make things
10 simpler.

11 (Whereupon Claricom
12 Exhibit 4 (late-filed)
13 was admitted into
14 evidence.)

15 Do you have any questions or concerns?

16 MS. RILEY: The only thing I would ask is on
17 the citation for failure to provide corporate
18 status, is that still going to be made in abeyance
19 until the Commission rules on this application?

20 JUDGE ALBERS: What I would imagine doing is,
21 as part of the order since there aren't any
22 contested issues in this case, part of the order

1 granting the certificate for LLC will also dismiss
2 the citation in Docket 02-0314 and also revoke then
3 that certificate, though, at the same time since it
4 doesn't seem like you need that any more. Now, do
5 you agree with that statement?

6 MS. RILEY: I do. I just wanted to make sure
7 that the certificate not be revoked until the new
8 certificate be issued.

9 JUDGE ALBERS: Yeah, I understand. It would
10 all happen at the same instant.

11 MS. RILEY: Okay. I don't have a problem with
12 that.

13 JUDGE ALBERS: Okay. All right then.

14 MS. RILEY: That's the only issue I have.

15 JUDGE ALBERS: When do you think you would be
16 able to have that late-filed exhibit to me?

17 MS. RILEY: I will as soon as we hang up call
18 TP Corp and ask that they overnight that document to
19 me, and I will overnight it then to you.

20 JUDGE ALBERS: Okay, very good. Since we have
21 already admitted it into the record, I see no reason
22 to leave the record open. That being the case, I

1 will go ahead and mark the record heard and taken.

2 HEARD AND TAKEN

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